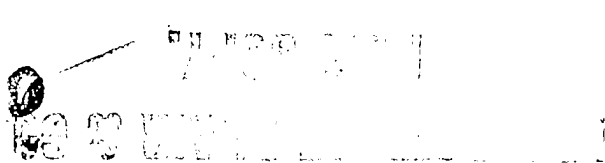


NATIONAL BISCUIT COMPANY

ANNUAL REPORT

JANUARY 31 1902



To the
Stockholders of National Biscuit Company

The following is the balance sheet of the Company at close of business January 31, 1902.

Assets		
Plants, Real Estate, Machinery, Patents, Etc.	\$50,535,531.56	
Less Depreciation Account	<u>300,000.00</u>	\$50,235,531.56
Cash	\$ 1,795,762.62	
Stocks and Securities	832,887.61	
Accounts Receivable	2,994,204.44	
Raw Material, Supplies and Finished Product	<u>3,741,747.61</u>	\$ 9,364,602.28
		<u>\$59,600,133.84</u>
Liabilities		
Capital Stock, Preferred	\$23,825,100.00	
Capital Stock, Common	<u>29,236,000.00</u>	\$53,061,100.00
Bonds Payable and Mortgages Payable Assumed at Formation of Company, not yet Matured	\$ 1,814,000.00	
Less Amount Paid	<u>238,000.00</u>	\$ 1,576,000.00
Accounts Payable, including Accrued Interest Balance, Jan. 31, 1901	\$ 3,622,176.54	\$ 507,609.25
Earnings, 12 months to Jan. 31, 1902, inclusive	3,670,445.05	
	\$ 7,292,621.59	
Less Dividends Paid, 12 mo. to Jan. 31, 1902, Inc.	<u>2,837,197.00</u>	\$ 4,455,424.59
		<u>\$59,600,133.84</u>
Sales, 12 months to Jan. 31, 1902, inclusive		\$38,625,134.78
Profits, 12 months to Jan. 31, 1902, inclusive		3,670,445.05
Percent of Profit to Sales		9.50

This company is four years old, and it may be of interest to shortly review its history. Its sales and profits, year by year, have been as follows :

	Sales	Profits
1898	\$34,051,270.84	\$3,292,143.10
1899	35,651,898.84	3,302,155.00
1900	36,439,160.00	3,318,355.19
1901	38,625,134.78	3,670,445.05

When the company started, it was an aggregation of plants. It is now an organized business. When we look back through the four years, we find that a radical change has been wrought in our methods of business. In the past, the managers of large industrial corporations have thought it necessary, for success, to control or to eliminate competition. So, when this company started, it was believed that we must control competition, and that to do this we must either fight competition or buy it. The first meant a ruinous war of prices and great loss of profits; the second, constantly increasing capitalization. Experience soon proved to us that, instead of bringing success, either of these courses, if persevered in, must bring disaster. This led us to reflect whether it was necessary to control competition. We asked ourselves whether this company, to succeed, must not be managed like any other large mercantile business. We soon satisfied ourselves that within the company itself we must look for success.

We turned our attention and bent our energies to improving the internal management of our own business, to getting the full benefit from purchasing our raw materials in large quantities, to economizing the expense of manufacture, to systematizing and rendering more effective our selling department, and, above all things and before all things, to improving the quality of our goods and the condition in which they should reach the consumer.

It became the settled policy of this company to buy out no competition, and to that policy, since it was adopted, we have steadfastly adhered, and expect to adhere to the end.

We do not aim to sell all the biscuit consumed in this country. A monopoly in any product made from such raw materials as we use in the manufacture of our goods is an impossibility. Any company which should attempt to create such a monopoly would be doomed to disastrous failure; its managers would be absolutely unfit for their trust.

Upon our standard goods we fix prices which will render us a fair and

sufficient profit, and in fixing such prices we pay no attention to the prices which other persons may make for their goods. But no one attempts to get the same prices which we get for our standard goods, because no one else offers for sale goods of the same quality. In fact, on such goods we have no real competition.

The consumer is not obliged to buy our goods; there are plenty of the biscuit of other manufacturers on the market, which he can buy at any time, if he so desires; but he does, in fact, buy our goods in increasing quantities, because the quality suits him and the price is satisfactory.

We do not aim to control all the biscuit business, but we are striving by every legitimate means to gather into this company all the *best* business possible in our line of manufacture. We do not pretend to sell our standard goods cheaper than other manufacturers of biscuit sell their goods. They always undersell us. Why do they not take away our business?

First, because they cannot make goods equal in quality to ours.

Second, because they cannot put them in the In-er-seal patent package.

Third, because they cannot give the trade the efficient service we furnish.

On the package business we have practically no competition,—*not* because the field is not open to all,—*not* because we have had any special privileges, except such as were granted by the United States. These privileges lie in the patents we control and in our trade marks. The trade marks we adopted. Their value we created.

When the company started, our goods were sold almost entirely in bulk, and the package business was in its infancy. We determined that the true way to sell certain of our goods was to sell them in small, air-tight, moisture-proof packages. The first result of this determination was the Uneeda Biscuit, a five-cent package of soda biscuit put up in a package protected by United States patent. The idea was novel, and we soon found we had struck the taste of the people. The introduction of the Uneeda Biscuit was followed by many other packages put up in the same manner and sealed with the In-er-seal trade mark design.

The next point was to reach the consumer. Knowing that we had something that the consumer wanted, we had to advise the consumer of its existence. We did this by extensive advertising.

The results have exceeded even our expectations. The consumers are not obliged to buy many millions of our packages every month, but they have done so because they wanted them, and the consumer is the final arbiter.

The great body of the consumers have become our allies in this great enterprise. So far as we have any monopoly in this business, it is one that the people have voluntarily conferred upon us.

It is said that imitation is the sincerest form of flattery. If this be so, then, since the introduction of our In-cr-seal patent package, we have not been wanting in a constant stream of flattery. More than thirty imitations of Uneeda Biscuit have been put upon the market. One after another in constant procession they have appeared, have lived a short, uneventful life, and disappeared. The Uneeda Biscuit still remains, with increasing sales and with increasing value to this company. So have our other advertised packages been imitated—but the consumer buys our packages in ever increasing numbers. This business is *our* business, which no one can take away.

So rapidly has our package business increased that our facilities have become inadequate, and we are now planning to build, this year, two large biscuit works to take care of this increasing business.

These new factories will be built upon new plans and will mark a great advance over any existing factories. They will be equipped with many labor-saving devices which this company controls. Such devices would be of little value to the small manufacturer, but to this company they are of great value now, and will prove of greater value as our business increases. From these new factories we expect to turn out package goods more economically, more rapidly, and, in quality and appearance, even more attractive to the consumer than they are at present.

The spirit throughout the company is of the best. We are like a great army, all animated with a like spirit, and with but one aim:—100 percent efficiency in every department of the company. We may never reach that efficiency, but we prefer to aim for it rather than to be satisfied with less.

The past year has successfully demonstrated the soundness of the policy we have adopted for the management of this company. There are more concerns striving for business than there were at the commencement of last year, yet our sales have increased \$2,185,974.78, being 6 percent increase over the preceding year, much more than the percentage of increase in population. Our profits for the year have increased over the previous year \$352,089.80. Our percentage of profit to sales has increased 39-100ths of 1 percent. The margin between the prices of raw material and prices obtained for our goods has been generally less than during the preceding year; but our sales have increased, and the economies we have introduced into

our business have brought better and quicker results than we ourselves anticipated.

That the officers and managers of this company have confidence in its continued prosperity is shown by the fact that they are themselves the owners of many millions of both the Common and Preferred stock, and that, notwithstanding the advance in price, the amount held by them is larger than it was a year ago. That our employees share with the management in loyalty to the company and faith in its future is shown by the result of the plan adopted by our board of directors in February of last year, enabling employees to buy our Preferred stock in single shares, paying for it in installments. Since that time our employees have purchased 3,308 shares under this plan. Not only is this a good thing for these employees, inculcating as it does habits of thrift, and furnishing a safe investment for their savings, but it is a good thing for the company. These men are now all partners with us in this great enterprise.

The total number of stockholders of the company, immediately after its organization, was about 1,300. The total number now is 5,153, of which 1,800 are women.

Trustees as we are for this large and constantly increasing body of stockholders, many of them women, some of them the widows and children of former associates, all of them entitled to the best service we can give them, we must and do feel that the administration of this great property is a trust of the highest and most sacred character, and while it is in our charge we shall ever strive to administer it in this spirit.

Respectfully submitted,

A. W. Green

Chairman of the Board of Directors.

Directors

A. W. Green	Chairman of the Board	Chicago
W. T. Baker		Chicago
D. F. Bremner		Chicago
B. F. Crawford		Chicago
L. D. Dozier		St. Louis
H. J. Evans		Chicago
J. W. Hazen		Boston
Frank O. Lowden		Chicago
J. S. Loose		Kansas City
S. S. Marvin		Pittsburg
T. S. Ollive		New York
Norman B. Ream		Chicago
C. E. Rumsey		Chicago
H. F. Vories		Chicago
J. B. Vredenburg		Jersey City

Officers

B. F. Crawford	President
H. F. Vories	First Vice-President
Frank O. Lowden	Second Vice-President
J. A. Lewis	Asst. Sec'y and Asst. Treasurer